

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 ISO-00 CEA-01 SSO-00 INRE-00 USIE-00
NSCE-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 XMB-02 OPIC-03 SP-02 LAB-04 SIL-01
OMB-01 SS-15 STR-07 /075 W
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O 082244Z MAR 78
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC IMMEDIATE 6578

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DEPT PASS TREAS, CEA

E.O. 11652: N/A
TAGS: EFIN, CA
SUBJECT: RUMORS OF U.S. CAPITAL AND TRADE CONTROLS
PEAK INTEREST IN SECRETARY BLUMENTHAL VISIT

1. CANADIAN DOLLAR SANK BELOW U.S. 89 CENTS MARCH 7.
REFERRING TO THIS, LEADER OF THE POLITICAL OPPOSITION, JOE
CLARK, CITED RUMORS FROM WASHINGTON THAT THE U.S. IS
CONSIDERING REIMPOSITION OF THE INTEREST EQUALIZATION TAX
(IET) AND A SURTAX ON IMPORTS. CLARK ASKED FINANCE
MINISTER CHRETIEU WHETHER HE PLANNED TO RAISE THE IET AND
CONSEQUENCES FOR FLOW OF FUNDS INTO CANADA AND CANADIAN
DOLLAR EXCHANGE RATE WITH SECRETARY BLUMENTHAL AT
THEIR MEETING MARCH 9 AND TO SEEK ASSURANCES THAT CANADA
WOULD BE EXEMPTED. CLARK ALSO ASKED CHRETIEU WHETHER HE
WOULD DISCUSS THE IMPACT ON CANADA OF A U.S. IMPORT
SURCHARGE.

2. CHRETIEU REPLIED IN LOW KEY MANNER THAT "THIS"
(REFERRING TO IET, FLOW OF FUNDS, AND EXCHANGE RATE) IS
ONE OF THE MATTERS HE INTENDS TO DISCUSS WITH MR.
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BLUMENTHAL AND MR. SCHULTZE WHEN THEY ARE IN OTTAWA.
HE ALSO SAID QUESTION RE IMPORT SURTAX WAS HYPOTHETICAL
AND HE DID NOT THINK SUCH RUMORS WILL BE PUT INTO
LEGISLATION IN THE U.S.

3. EVENING TELEVISION NEWS PROGRAMS MARCH 7 HIGHLIGHTED
CLARK/CHRETIEU EXCHANGE AND WENT ON TO DEPICT CURRENT

PRESSURE ON CANADIAN DOLLAR AS GROWING CRISIS WITH WHICH
GOC HAS NOT BEEN ABLE TO DEAL EFFECTIVELY. VISIT
TOMORROW BY SECRETARY BLUMENTHAL AND CHAIRMAN SCHULTZE
THEN CAST AS PROSPECTIVE U.S. RESCUE OPERATION.

4. IN RESPONDING TO MEDIA QUERIES ABOUT VISIT, EMBASSY
SPOKESMAN HAS DRAWN ON TREASURY GUIDANCE (CLARK-SYVRUD
TELECON) TO COUNTER RUMOR ABOUT TRADE AND INVESTMENT
RESTRICTIONS. WE HAVE ALSO SOUGHT TO PUT VISIT IN
PERSPECTIVE BY NOTING IT WAS AGREED UPON DURING VICE
PRESIDENT'S VISIT TO EXCHANGE VIEWS ON ECONOMIC POLICY
AT HIGH LEVEL BUT NOT TO PRODUCE NEW STRATEGIES OR
BILATERAL AGREEMENTS. ENDERS

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Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
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Concepts: TRADE, TRADE CONTROLS, CAPITAL FLOWS, VISITS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 mar 1978
Decaption Date: 01 jan 1960
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Disposition Approved on Date:
Disposition Case Number: n/a
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